

DRAFT FOR DISCUSSION PURPOSES

Capital Planning Working Group

For consideration to ALG

September 17, 2007

The overall objective of the capital planning working group has been to ensure that an ongoing process for identifying capital needs is performed and to develop a sustainable method for funding capital costs. An ideal timetable for this process would be a five-year forward looking plan but the working group recognizes that for various reasons the timetable may be shorter or longer. Our consideration for funding sources consists of:

- 1) Potential outside sources
- 2) Operating budget
- 3) Cost savings from implementing capital plans
- 4) One-time sources
- 5) Debt exclusion or capital overrides

In general, the working group supports funding from within the operating budget as much as feasible. The working group is not responsible for developing the list of specific capital items that will be funded, that is the responsibility of the respective boards and the overall split of that funding is the responsibility of ALG. The working group has looked at how the prioritization of funding is applied and, if an override is considered, what kind of override seems appropriate. Circumstances such as bond ratings, overall financial health, the long-term life of the capital item being considered, state regulations and other factors are considered in determining the choice of funding sources.

The working group was asked to review and make scenario recommendations to ALG. To create scenarios the working group considered the list of capital needs recently submitted to the ALG and has made the following assumptions:

- 1) Estimated \$10million of capital items may be requested for funding (split between schools and town to be determined by ALG), the actual amount is not know but for purposes of reviewing cost impacts this level was established.
- 2) There may be one time sources of funds to cover some of these costs but not likely all so an assumption of \$3million of one time sources was made.
- 3) If the respective boards and ALG feel that it is necessary to request capital items of this magnitude, some form of an override may be considered and given the nature of the larger items its likely that a debt exclusion override would be considered. This would ultimately depend on the actual capital items proposed and what type of funding is appropriate given the item and the financial characteristics of the town.
- 4) ALG may also consider funding more capital as part of an operating override and an estimate of \$1million in FY 2010 was made for purposes of reviewing the cost impact.
- 5) Cost estimates were based on the ALG plan included in the 2007 warrant, which represented declining debt costs both within the operating budget and in excluded

debt of approximately \$421k in FY 09 and \$450k in 2010, which amounts to an estimated reduction of single family taxes of \$58, and \$61 respectively;

- 6) Assuming all debt is financed over 20 years at a 5% rate with a declining debt balance, the impacts per average single family home price (approximately \$564k in 2009 and \$575k in 2010) were made and the following was determined:

Scenario	Incremental Cost per Average Single Family Home FY 2009	Incremental Cost per Average Single Family Home FY 2010
\$10M Debt Exclusion over 20 Years	\$137	\$133
\$10M Debt Exclusion over 20 Years w/ \$1M Operating override in FY 10	\$137	\$269
\$7M Debt Exclusion over 20 Years (A)	\$96	\$93
\$7M Debt Exclusion over 20 Years w/ \$1M Operating override in FY 10 (A)	\$96	\$229
\$1M Debt Exclusion over 20 Years (B)	\$14	\$13

(A) Assumes one time use of \$3M